

Message Text

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ACTION EB-05

INFO OCT-01 ARA-10 ISO-00 DRC-01 RSC-01 /018 W

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R 052139Z DEC 73

FM AMEMBASSY QUITO

TO USDOC WASHDC

INFO SECSTATE WASHDC 9375

AMEMBASSY LIMA

AMCONSUL GUAYAQUIL

UNCLAS QUITO 6337

FOR OED

E.O. 11652: N/A

TAGS: BEXP, EC

SUBJECT: SPECIAL TRADE OPPORTUNITY

REF: STATE A-4119

1. THE MINISTRY OF INDUSTRIES, COMMERCE AND INTEGRATION IS EXPECTED TO RELEASE GOE'S NEW AUTOMOTIVE POLICY (POLITICA AUTOMOTRIZ) LATE THIS YEAR OR EARLY NEXT YEAR. THE INTERNATIONAL SOLICITATION FOR BIDS WILL BE PUBLISHED ABOUT MID-1974.

2. THE AUTOMOTIVE POLICY WILL GOVERN GOE'S ATTEMPT TO DEVELOP THE AUTOMOTIVE SECTOR IN ECUADOR BY INVITING NATIONAL AND INTERNATIONAL FIRMS TO SUBMIT OFFERS TO MANUFACTURE ANY OR ALL OF THE FOLLOWING: THREE SIZES OF AUTOMOBILES; A JEEP-TYPE VEHICLE; A DIESEL ENGINE; A BASIC CHASSIS WITH 5 TON CAPACITY; AND A TRACTOR. THE THREE SIZES OF ENGINES WILL BE LESS THAN 1,000 C.C.; 1,001 TO 1,800 C.C.; AND 1,801 TO 3,500 OR ABOVE. PREFERENCE WILL BE GIVEN TO THOSE AUTOMOBILES WHOSE PRODUCTION WILL ALSO PERMIT SIMULTANEOUS PRODUCTION OF PICKUP TRUCKS, UTILITY TRUCKS, AND STATION WAGONS UTILIZING THE SAME BASIC COMPONENTS.

3. NO MORE THAN TWO MANUFACTURING FIRMS WILL BE PERMITTED. THE FIRMS MUST HAVE A PROGRAM WHEREBY THEY INCREASINGLY

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USE LOCALLY-PRODUCED MATERIALS, PARTS, AND COMPONENTS, WITH

NO LESS THAN 15 PERCENT INCORPORATED WITHIN THE FIRST YEAR OF OPERATION. BY THE 10TH YEAR, NO LESS THAN 80 PERCENT OF ALL MATERIALS MUST BE PRODUCED IN ECUADOR.

4. THE FIRMS SELECTED WILL RECEIVE ALL OF THE BENEFITS GRANTED TO INDUSTRIAL FIRMS CLASSIFIED "SPECIAL CATEGORY" UNDER THE INDUSTRIAL DEVELOPMENT LAW, AS WELL AS ADDITIONAL INCENTIVES SUCH AS EXONERATION FROM ALL IMPORT DUTIES ON IMPORTED ITEMS NOT PRODUCED IN THE COUNTRY. ALSO, THE IMPORTATION OF VEHICLES SIMILAR TO THOSE BEING MANUFACTURED IN THE COUNTRY WILL BE PROHIBITED OR THE DUTIES WILL BE RAISED TO PROHIBIT IMPORTS. ADDITIONAL INFORMATION FOLLOWS.

5. GOE WISHES TO RECEIVE OFFERS FROM FIRMS WHICH WILL PRODUCE AUTOMOBILES FOR THE ENTIRE ANDEAN PACT MARKET AND WHICH WILL, IDEALLY, ASSIGN EACH COUNTRY THE PRODUCTION OF ONE OF THE BASIC COMPONENTS SUCH AS THE ENGINES, THE DRIVE TRAIN, CHASSIS, ETC.
BREWSTER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 05 DEC 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973QUITO06337
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: QUITO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731243/aaaabfwz.tel
Line Count: 80
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: STATE A-4119
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 10 OCT 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10-Oct-2001 by williad>; APPROVED <14 MAR 2002 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPECIAL TRADE OPPORTUNITY
TAGS: BEXP, EC
To: n/a
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005